MORAN TOWNSHIP MACKINAC COUNTY, MICHIGAN

Financial Statements For the Year Ended March 31, 2006

Prepared By: Richard E. Mahlmeister, C.P.A., P.C. 580 South Nicolet, P.O.Box 996 Mackinaw City, MI 49701

Michigan Department of Treasury 496 (02/06)

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			ernment Type		—	По	Local Unit Name Moran Tow			Mackinac
□c			City	⊠ Twp	□Village	□Other	Worall Tow	Date Audit Report Subr	mitted to State	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Fiscal			one		Opinion Date August 21,	2006		September 1, 2		
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1.	×		reporting	entity note	es to the financ	cial stateme	ents as neces	sary.		ments and/or disclosed in the
2.	X		There are (P.A. 27	e no accur 5 of 1980)	nulated deficits or the local ur	s in one or ait has not e	more of this u exceeded its b	nit's unreserved fund oudget for expenditure	balances/unre es.	stricted net assets
3.	X		The local	unit is in	compliance wit	h the Unifo	orm Chart of A	ccounts issued by the	e Department o	f Treasury.
4.	×		The local	l unit has a	adopted a budg	get for all re	equired funds.			
5.	X		A public l	hearing or	the budget wa	as held in a	accordance wi	th State statute.		
6.	×		The local	i unit has r dance as i	not violated the issued by the l	Municipal ocal Audit	Finance Act, and Finance	an order issued unde Division.	r the Emergen	cy Municipal Loan Act, or
7.	×							evenues that were col	llected for anot	her taxing unit.
8.	×							with statutory require		: -
9.	×		Audits of	f Local Uni	its of Governm	ent in Mich	nigan, as revis	that came to our atter ed (see Appendix H o	r Bulletin).	
10.	— — use the time of defeating froud or embezzlement, which came to our attention during the course of our audit						uring the course of our audit If there is such activity that has			
11.		×	The loca	ıl unit is fre	e of repeated	comments	from previous	years.		
12.	×	- 🗆			s UNQUALIFII					
13.	×		The loca	il unit has d accounti	complied with ng principles (GASB 34 o GAAP).	or GASB 34 as	s modified by MCGAA	Statement #7	and other generally
14.	X						prior to payme	nt as required by cha	rter or statute.	
15.	×		To our k	nowledge,	bank reconcil	iations that	t were reviewe	ed were performed tim	nely.	
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Fin	anci	al Sta	atements	_					· 	
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Otl	her (I	— Descri	be)							
			Accountant (Mahlme	(Firm Name) ister, CP	A, PC	. :		Telephone Number 231-436-5223		
Stre	et Ad	dress	-					City	State	Zip 40701
	580 South Nicolet Street, P.O. Box 996 Mackinaw City MI 49701									
Aut	hơrizin	ng CP	A Signature	Mw	Umtr.	7	Printed Name Richard E. M	lahlmeister, CPA	1735	

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Member: American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

August 21, 2006

Township Board Moran Township Mackinac County, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of *Moran Township, Mackinac County, Michigan*, as of and for the year ended March 31, 2006, which collectively comprise *Moran Township's* basic financial statements as listed in the table of contents. These financial statements are the responsibility of *Moran Township's* management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of *Moran Township*, *Mackinac County*, *Michigan*, as of March 31, 2006, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of March 31, 2006.

The management's discussion and analysis and budgetary comparison information on pages 1 through 6 and 29 through 32, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Rechard Madhneut, AA**

Richard E. Mahlmeister, C.P.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2006. Please read it in conjunction with the financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

FINANCIAL HIGHLIGHTS

Moran Township consists of 137 square miles and is home to 1,080 people, per the 2000 census.

Government-Wide Highlights

Net assets at March 31, 2006 totaled \$3,060,738, representing a decrease of \$103,968 from the previous fiscal year. Governmental funds represented \$79,148 of this decrease, while Business-Type activities represented \$24,820 of this decrease.

Governmental Fund Highlights

The governmental activities of the Township reported combined ending fund balances of \$1,014,775, which represents a decrease of \$79,221 from the previous fiscal year.

Long-term Debt

The Township's long-term debt decreased by \$55,000 to \$300,000. Capital asset and debt activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two Government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Township, you may also consider additional factors such as tax base changes, facility conditions, and personnel changes.

Most of the activities are reported as governmental activities. These would include the operations recorded in the General Fund, Special Revenue-Road Fund, Recreation Fund and Liquor Law Enforcement Fund. Business-type activities include the Water and Sewer Funds.

The comparison of net assets of governmental activities from year to year serves to measure a government's financial position:

Moran Township Net Assets March 31,

	GOVERN	MENTAL	BUSINE	SS-TYPE		
	ACTIV	/ITIES	ACTIVITIES		TOTAL	
	2006	2005	2006	2005	2006	2005
Current assets	\$1,052,654	\$1,117,510	\$431,925	\$469,795	\$1,484,579	\$1,587,305
Capital assets (net)	142,846	142,773	1,771,293	1,809,401	1,914,139	1,952,174
Other assets			8,097	11,749	8,097	11,749
Total assets	\$1,195,500	\$1,260,283	\$2,211,315	\$2,290,945	\$3,406,815	\$3,551,228
Long-term liabilities	\$ -	\$ -	\$300,000	\$355,000	\$300,000	\$355,000
Other liabilities	37,879	23,514	8,198	8,008	46,077	31,522
Total Liabilities	\$37,879	\$23,514	\$308,198	\$363,008	\$346,077	\$386,522
Net assets:						
Invested in capital assets,						
net of related debt	\$142,846	\$142,773	\$1,471,293	\$1,471,293	\$1,614,139	\$1,614,066
Unrestricted	1,014,775	1,093,996	431,824	456,644	1,446,599	1,550,640
	\$1,157,621	\$1,236,769	\$1,903,117	\$1,927,937	\$3,060,738	\$3,164,706
				=		

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

The most significant portion of the Township's Net Assets is the investment in capital assets (e.g. land, buildings, equipment and water and sewer systems), less any related debt that is outstanding that the Township used to acquire or construct the asset. The Township has \$1,446,599 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by policies regarding their use.

The following table summarizes the results of the changes in Net Assets of the Township:

Moran Township Change in Net Assets March 31,

		MENTAL VITIES		BUSINESS-TYPE ACTIVITIES		ΓAL
	2006	2005	2006	2005	2006	2005
REVENUES:						
Program revenues:						
Charges for services	\$9,778	9,158	\$109,997	106,210	\$119,775	\$115,368
Operating grants and						
contributions	4,900	3,864	-	-	-	3,864
General revenues:						
Property taxes	307,894	153,241	-	-	307,894	153,241
State-shared revenues	127,115	118,325	-	-	127,115	118,325
Interest income	21,581	14,235	14,745	9,799	36,326	24,034
Other	3,029	717	-	-	3,029	717
Total Revenues	\$474,297	\$299,540	\$124,742	\$116,009	\$594,139	\$415,549
EXPENSES:						
Legislative	\$51,304	\$14,480	\$ -	\$ -	\$51,304	\$14,480
General government	126,798	\$117,376	-	-	126,798	117,376
Public safety	84,012	\$80,160	-	-	84,012	80,160
Public works	252,176	\$153,685	-	-	252,176	153,685
Recreation and culture	30,299	\$28,036	-	-	30,299	28,036
Other	8,856	\$8,544	-	-	8,856	8,544
Scwer expenses	-	-	26,361	23,855	26,361	23,855
Water expenses			123,201	121,542	123,201	121,542
Total Expenses	<u>\$553,445</u>	\$402,281	\$149,562	\$145,397	\$703,007	\$547,678
Net assets:						
Decrease in Net Assets	(\$79,148)	(\$102,741)	(\$24,820)	(\$29,388)	(\$103,968)	(\$132,129)
Beginning Net Assets	1,236,769	1,339,510	1,927,937	1,957,325	3,164,706	3,296,835
Ending Net Assets	\$1,157,621	\$1,236,769	\$1,903,117	\$1,927,937	\$3,060,738	\$3,164,706

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Governmental Activities

The Township is able to report positive balances in net assets. Net assets decreased by \$79,148, mostly in part to various road improvement projects undertaken during the year, which is also why public works expense has increased. Property taxes have increased due to the levy for roads which was not levied in the prior year. In summary, overall expenses have increased by \$151,164, primarily due to additional road projects during the current year.

Business-Type Activities

These activities, which include the water and sewer systems, accounted for a decrease of \$24,820 during the year, mainly due to depreciation costs.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They may also be created by the Township Board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

Governmental Funds

Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township maintains four individual governmental funds; General Fund, Road Fund, Recreation Fund and Liquor Law Enforcement Fund; of which the General, Road and Recreation Funds we consider major funds. The Township funds are financed primarily by both property tax revenue and state shared revenues.

Fiduciary Funds

The Township acts as a trustee or fiduciary and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to whom the funds belongs. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental Fund Activities

The Liquor Law Enforcement and Recreation Fund activities remained consistent. The General and Road Funds had a decrease in fund balance, primarily due to temporarily increasing assessor expenses and the aforementioned road projects. The Township continued to provide the same services to its residents: administrative, assessing, elections, township hall maintenance, road maintenance, fire protection, ambulance service and tax collection. The General Fund decreased its fund balance by \$18,963, bringing the fund balance to \$276,577, the Special Revenue-Road Fund decreased its fund balance by \$70,131, bringing the fund balance to \$667,904, the Recreation Fund increased its Fund balance by \$10,162, bringing the fund balance to \$69,726, and the Liquor Law Enforcement Fund decreased its fund balance by \$289, bringing the fund balance to \$568.

Capital Asset and Debt Administration

Capital Assets

At March 31, 2006, the Township's governmental activities had \$142,846 in net capital assets (land, buildings and equipment), and the business-type activities had a total of \$1,771,293 (water and sewer systems); for a total of \$1,914,139. Capital assets purchased during the current year were for office equipment in the amount of \$4,822.

Long-Term Debt

No new debt was incurred during the year. The 1994 bonds on the water system were paid off during the year. Our remaining debt consists of \$300,000 special assessment bonded indebtedness on the water system.

BUDGETARY HIGHLIGHTS

Significant differences between the original and final budget were in General Fund where the Township appropriated additional funds for the contracted 911 sign installation, additional assessor expenses related to the retiring and hiring of a new assessor and additional professional fees.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Township expects financial aspects of governing to be generally the same as in the current year. However, the Township has committed approximately \$144,000 in Road projects in the upcoming year

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact any township official at 906.643.8027 (Moran Township Hall).

P. James Durm

Moran Township Supervisor

P Jomes Durin

Kristine R. Vallier Moran Township Clerk

Kristine R. Willier

Susan K. Dionne

Moran Township Treasurer

Suk Dioc

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

MORAN TOWNSHIP STATEMENT OF NET ASSETS MARCH 31, 2006

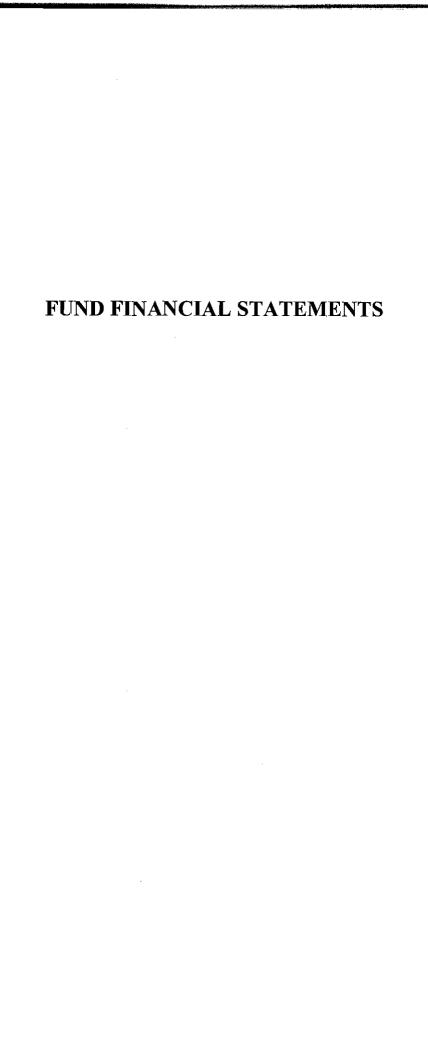
ASSETS GOVERNMENTAL ACTIVITIES BUSINESS-TYPE ACTIVITIES TOT Cash and cash equivalents \$619,942 \$192,086 Investments 342,290 - Receivables: - - Property taxes 38,814 11,900 Accounts - 1,442 Special assessments - 221,604 Due from fiduciary fund 38,048 4,893 Due from other governmental units 12,306 - Due from others 1,254 - Other assets-financing costs (net) - 8,097 Capital assets (Net of Accumulated Depreciation) 142,846 1,771,293	ALS
Cash and cash equivalents \$619,942 \$192,086 Investments 342,290 - Receivables: - - Property taxes 38,814 11,900 Accounts - 1,442 Special assessments - 221,604 Due from fiduciary fund 38,048 4,893 Due from other governmental units 12,306 - Due from others 1,254 - Other assets-financing costs (net) - 8,097	ALS
Investments 342,290 - Receivables: - 11,900 Property taxes 38,814 11,900 Accounts - 1,442 Special assessments - 221,604 Due from fiduciary fund 38,048 4,893 Due from other governmental units 12,306 - Due from others 1,254 - Other assets-financing costs (net) - 8,097	
Investments 342,290 - Receivables: - - Property taxes 38,814 11,900 Accounts - 1,442 Special assessments - 221,604 Due from fiduciary fund 38,048 4,893 Due from other governmental units 12,306 - Due from others 1,254 - Other assets-financing costs (net) - 8,097	\$812,028
Property taxes 38,814 11,900 Accounts - 1,442 Special assessments - 221,604 Due from fiduciary fund 38,048 4,893 Due from other governmental units 12,306 - Due from others 1,254 - Other assets-financing costs (net) - 8,097	342,290
Accounts - 1,442 Special assessments - 221,604 Due from fiduciary fund 38,048 4,893 Due from other governmental units 12,306 - Due from others 1,254 - Other assets-financing costs (net) - 8,097	
Special assessments-221,604Due from fiduciary fund38,0484,893Due from other governmental units12,306-Due from others1,254-Other assets-financing costs (net)-8,097	50,714
Due from fiduciary fund38,0484,893Due from other governmental units12,306-Due from others1,254-Other assets-financing costs (net)-8,097	1,442
Due from other governmental units Due from others 12,306 - 1,254 - Other assets-financing costs (net) - 8,097	221,604
Due from others 1,254 Other assets-financing costs (net) - 8,097	42,941
Other assets-financing costs (net) - 8,097	12,306
	1,254
Capital assets (Net of Accumulated Depreciation) 142,846 1,771,293	8,097
	1,914,139
TOTAL ASSETS \$1,195,500 \$2,211,315	\$3,406,815
LIABILITIES	
Accounts payable \$32,049 \$1,858	\$33,907
Accrued interest - 6,340	6,340
Due to other governmental units 5,830 -	5,830
Long-term liabilities:	
Due within one year - 30,000	30,000
Due in more than one year - 270,000	270,000
TOTAL LIABILITIES 37,879 308,198	346,077
NET ASSETS	
Invested in capital assets, net of related debt 142,846 1,471,293	1,614,139
Unrestricted 1,014,775 431,824	1,446,599
TOTAL NET ASSETS \$1,157,621 \$1,903,117	

MORAN TOWNSHIP STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2006

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions		
r unctions/11 ogi ams	Expenses	OCI FICES	Contributions		
Primary government					
Governmental activities					
Legislative	\$51,304	\$ -	\$ -		
General government	126,798	1,886	-		
Public safety	84,012	7,892	-		
Public works	252,176	-	-		
Recreation and culture	30,299	-	4,900		
Other	8,856	<u> </u>	<u> </u>		
Total governmental activities	553,445	9,778	4,900		
Business-type activities					
Sewer	26,361	33,853	-		
Water	123,201	76,144	-		
Total business-type activities	149,562	109,997	· · ·		
Total primary government	\$703,007	\$119,775	\$4,900		
	G	eneral Revenues			
	I	Property taxes			
	S	State-shared revenues			
	· • •	Inrestricted interest inco	me		
		Other			
	Te	otal general revenues	·		
	C	hange in net assets			
	N	et assets, beginning of yea	ır		
	. No	et assets, end of year			

Net (Expense) Revenue and changes in Net Assets Primary Government

			Primary Government	
Capital Grants and		Governmental	Business-Type	
Contributions		Activities	Activities	TOTAL
\$	-	(\$51,304)	\$ -	(\$51,304)
	-	(124,912)	-	(124,912)
	-	(76,120)	-	(76,120)
	-	(252,176)	-	(252,176)
	-	(25,399)	-	(25,399)
		(8,856)	<u> </u>	(8,856)
		(538,767)		(538,767)
	_	_	7,492	7,492
	-	-	(47,057)	(47,057
	-	-	(39,565)	(39,565
<u> </u>		(\$538,767)	(\$39,565)	(\$578,332
		307,894	-	307,894
		127,115	-	127,115
		21,581	14,745	36,326
	_	3,029		3,029
	_	459,619	14,745	474,364
		(79,148)	(24,820)	(103,968
		1,236,769	1,927,937	3,164,706
		\$1,157,621	\$1,903,117	\$3,060,738



MORAN TOWNSHIP BALANCE SHEET - GOVERNMENTAL FUNDS MARCH 31, 2006

	GENERAL	ROAD	RECREATION
ASSETS	FUND	FUND	FUND
Cash and cash equivalents	\$224,090	\$285,503	\$109,781
Investments	· •	342,290	
Taxes receivable	19,129	15,601	4,084
Receivable from other governments	12,306	-	-
Due from other funds	40,478	24,510	4,620
Due from others	1,254		-
TOTAL ASSETS	\$297,257	\$667,904	\$118,485
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$8,635	\$ -	\$23,414
Due to other governmental units	5,830	-	-
Due to other funds	6,215	-	25,345
TOTAL LIABILITIES	20,680		48,759
FUND BALANCES			
Unreserved:			
Designated for:			
Subsequent years' expenditures	27,757	102,000	
Undesignated	248,820	565,904	69,726
TOTAL FUND BALANCES	276,577	667,904	69,726
TOTAL LIABILITIES			
AND FUND BALANCES	\$297,257	\$667,904	\$118,485

-	NON-MAJOR FUND LIQUOR LAW ENFORCEMENT FUND	TOTAL GOVERNMENTAL FUNDS
	Φ Ε ΖΘ	¢610 042
	\$568	\$619,942 342,290
	-	38,814
	-	12,306
	-	69,608
_		1,254
:	\$568	\$1,084,214
	\$ -	\$32,049
	-	5,830
-		31,560
	-	69,439
	· -	129,757
	568	885,018
	568	1,014,775

MORAN TOWNSHIP BALANCE SHEET - GOVERNMENTAL FUNDS MARCH 31, 2006

Reconciliation of fund balances on the balance sheets for governmental activities to the statement of net assets

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS

\$1,014,775

Amounts reported for governmental activities in the statement of net assets are different hecause:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Add: capital assets

Subtract: accumulated depreciation

205,194

(62,348)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$1,157,621

MORAN TOWNSHIP STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED MARCH 31, 2006

	GENERAL FUND	ROAD FUND	RECREATION FUND
REVENUES			
Taxes	\$135,052	\$137,870	\$34,972
Licenses and permits	7,892	-	-
State shared revenues	106,912	18,859	-
Charges for services	1,886	-	-
Interest income	4,602	16,973	. 6
Donations	-	-	4,900
Other income	2,898		131
TOTAL REVENUES	259,242	173,702	40,009
EXPENDITURES			
Current:			
Legislative	51,304	-	•
General government	122,501	-	
Public safety	82,379	-	
Public works	8,343	243,833	
Recreation and culture	-		29,847
Other functions	8,856	-	
Capital outlay	4,822		
TOTAL EXPENDITURES	278,205	243,833	29,847
NET CHANGES IN FUND BALANCES	(18,963)	(70,131)	10,162
FUND BALANCES, BEGINNING OF YEAR	295,540	738,035	59,564
FUND BALANCES, END OF YEAR	\$276,577	\$667,904	\$69,726

NON-MAJOR FUND	TOTAL
LIQUOR LAW	TOTAL GOVERNMENTAL
ENFORCEMENT FUND	FUNDS
POND	PUNDS
\$ -	\$307,894
-	7,892
1,344	127,115
-	1,886
-	21,581
-	4,900
	3,029
1,344	474,297
-	51,304
_	122,501
1,633	84,012
-	252,176
-	29,847
-	8,856
-	4,822
1,633	553,518
(289)	(79,221)
857	1,093,996
\$568	\$1,014,775

MORAN TOWNSHIP STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED MARCH 31, 2006

1	FOR THE YEAR ENDED MARCH 31, 2006	
	Reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to statement of activities	
	NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	(\$79,221)
	Amounts reported for governmental activities in the statement of activities are different because:	
	Governmental funds report capital outlays as expenditures. However, those costs are allocated over their useful lives as annual depreciation expense in the statement of activities.	
	Add: capital outlay capitalized during the current year Subtract: depreciation expense	4,822 (4,749)
	CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	(\$79,148)

MORAN TOWNSHIP PROPRIETARY FUNDS STATEMENT OF NET ASSETS MARCH 31, 2006

ASSETS	SEWER FUND	WATER FUND	TOTAL
CURRENT ASSETS:	FUND	FUND	TOTAL
Cash and cash equivalents	\$68,209	\$123,877	\$192,086
Taxes receivable	ψου, 2 υ,	11,900	11,900
Accounts receivable	472	970	1,442
Special assessments		221,604	221,604
Duc from other funds	_	4,893	4,893
		,	,
TOTAL CURRENT ASSETS	68,681	363,244	431,925
CAPITAL ASSETS			
Sewer system	38,160	-	38,160
Water system	-	1,876,430	1,876,430
Less: accumulated depreciation	(13,738)	(129,559)	(143,297)
NET CAPITAL ASSETS	24,422	1,746,871	1,771,293
OTHER ASSETS:			
Financing costs (net)		8,097	8,097
TOTAL ASSETS	\$93,103	\$2,118,212	\$2,211,315
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Aceounts payable	\$ -	\$1,858	\$1,858
Accrued interest	-	6,340	6,340
Bonds payable	-	30,000	30,000
TOTAL CURRENT LIABILITIES	-	38,198	38,198
LONG-TERM LIABILITIES:			
Bonds payable	-	270,000	270,000
TOTAL LONG-TERM LIABILITIES	<u>-</u>	270,000	270,000
TOTAL LIABILITIES		308,198	308,198
NET ASSETS:			
Invested in capital assets, net of related debt	24,422	1,446,871	1,471,293
Unrestricted	68,681	363,143	431,824
TOTAL NET ASSETS	\$93,103	\$1,810,014	\$1,903,117
			

MORAN TOWNSHIP PROPRIETARY FUNDS STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2006

	SEWER	WATER	
	FUND	FUND	TOTAL
OPERATING REVENUES			
Service fees	\$33,003	\$76,144	\$109,147
Other revenue	850	-	850
TOTAL OPERATING REVENUES	33,853	76,144	109,997
OPERATING EXPENSES			
Cost of sales	25,598	64,577	90,175
Amortization	-	3,652	3,652
Maintenance/repairs	-	3,589	3,589
Depreciation	763	37,345	38,108
TOTAL OPERATING EXPENSES	26,361	109,163	135,524
OPERATING INCOME (LOSS)	7,492	(33,019)	(25,527)
NON-OPERATING REVENUES (EXPENSES)			
Interest income	686	1,730	2,416
Interest income - special assessments	-	12,329	12,329
Interest expense		(14,038)	(14,038)
TOTAL NON-OPERATING INCOME (NET)	686	21	707
CHANGE IN NET ASSETS	8,178	(32,998)	(24,820)
NET ASSETS, BEGINNING OF YEAR	84,925	1,843,012	1,927,937
NET ASSETS, END OF YEAR	\$93,103	\$1,810,014	\$1,903,117

MORAN TOWNSHIP PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2006

	SEWER FUND	WATER FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$33,002	\$76,130	\$109,132
Other receipts	850	-	850
Payments for operating expenses	(25,598)	(66,308)	(91,906)
NET CASH PROVIDED			
BY OPERATING ACTIVITIES	8,254	9,822	18,076
CASH FLOWS FROM CAPITAL AND			
RELATED FINANCING ACTIVITIES			
Special assessments-principal and interest	-	25,701	25,701
Principal and interest paid on capital debt		(70,706)	(70,706)
NET CASH USED IN CAPITAL AND RELATED			
FINANCING ACTIVITIES	-	(45,005)	(45,005)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest/investment earnings	686	1,730	2,416
Amounts due from other funds	-	75	75
NET CASH PROVIDED BY			
INVESTING ACTIVITIES	686	1,805	2,491
NET INCREASE (DECREASE) IN CASH AND			
CASH EQUIVALENTS	8,940	(33,378)	(24,438)
CASH AND CASH EQUIVALENTS:			
BEGINNING OF YEAR	59,269	157,255	216,524
END OF YEAR	\$68,209	\$123,877	<u>\$192,086</u>
RECONCILIATION OF OPERATING LOSS TO			
NET CASH FROM OPERATING ACTIVITIES			
Operating income (loss)	\$7,492	(\$33,019)	(\$25,527
Adjustments to reconcile operating loss to net			
cash from operating activities:			
Amortization		3,652	3,652
Depreciation	763	37,345	38,108
Changes in assets and liabilities:			
Receivables	(1)	(14)	(15)
Aceounts payable	-	1,858	1,858
NET CASH PROVIDED (USED)			•
BY OPERATING ACTIVITIES	\$8,254	<u>\$9,</u> 822	\$18,076

MORAN TOWNSHIP STATEMENT OF FIDUCIARY NET ASSETS TAX COLLECTION FUND MARCH 31, 2006

ASSETS	AGENCY FUND
Cash	<u>\$136,586</u>
LIABILITIES	
Due to other funds	\$42,941
Due to other governmental units	93,645
TOTAL LIABILITIES	136,586
NET ASSETS	
Fiduciary Net Assets	<u> </u>

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Moran Township, Mackinac County, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

Moran Township adopted the governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments, and Statement No. 38, Certain Financial Statement Note Disclosures and applied those standards as of April 1, 2004. Under the provisions of GASB Statements Nos. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus.

THE REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting entity include those of the Township and any component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements.

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which direct expenses of a given function or segment offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use. Or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as general revenue.

The proprietary funds use the accrual basis of accounting and are accounted for on a cost-of-service or "capital maintenance" measurement focus. Under the capital maintenance measurement focus, all assets and liabilities associated with the fund's activities are included on its balance sheet. Under the accrual basis, revenues are recognized when earned and expenses are recognized when they are incurred. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria, based on percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds, for the determination of major funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, state shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be available when cash is received by the government.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major funds:

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

Road Fund — The Special Revenue — Road Fund accounts for revenues and expenditures attributable to improvement of various roads located within the Township. Revenue is primarily obtained from property taxes for this purpose.

Recreation Fund - The Special Revenue - Recreation Fund is used to account for expenditures related to contracted, township provided recreation services. Financing is provided primarily by a special property tax levy.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds (Continued)

The Township reports the following special revenue - nonmajor fund:

<u>Liquor Law Enforcement Fund</u> - The Liquor Fund accounts for liquor license fees refunded by the State and utilization for enforcement of the State's liquor laws.

Proprietary Funds

The Township reports the following major enterprise funds:

<u>Sewer Fund</u> — This fund accounts primarily for the activities of the sewer department system, which is primarily under construction. This fund is financed primarily by user fees.

<u>Water Fund</u> — This fund accounts primarily for the activities of the water department system. This fund is financed primarily by user fees.

Fiduciary Funds

<u>Trust and Agency Fund</u> - The Tax Collection Fund is used to account for property taxes collected for the Township and as an agent for other governmental units. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

INVESTMENTS

Investments are stated at cost, which approximates market, and consist of certificates of deposit with maturity values of three months or longer.

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

All receivables are reported at their gross values. Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed.

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." Receivable from other governments represents various shared revenues, grants, and reimbursements from other governments.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

There is no accumulated vacation, sick leave or post-employment benefits to be recognized.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are generally defined by the government as assets with an initial individual cost of \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations. The Township is not required to report infrastructure retrospectively. Any future infrastructure additions will be capitalized, if any.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements20-40 yearsFurniture and equipment5-20 yearsWater and Sewer Systems50 years

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures.

FUND EQUITY

Reserved fund balances for governmental funds indicates that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) BUDGETS AND BUDGETARY ACCOUNTING

Budgets are adopted by the Township officials for the General and Special Revenue Funds. The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1. Prior to the beginning of the fiscal year, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4. Budgeted amounts are as originally adopted, or as amended by the Township Board.
- 5. Appropriations expire at the end of the fiscal year.

The Township Board's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year the Township incurred expenditures which exceeded the amount appropriated as follows:

<u>Fund</u>	Appropriations	<u>Expenditures</u>	<u>Variance</u>	
SPECIAL REVENUE Recreation Fund				
Recreation and culture	\$28,000	\$29,847	\$1,847	

NOTES TO FINANCIAL STATEMENTS

NOTE 3: PROPERTY TAX

Property tax revenues for the year ended March 31, 2006, reflected in the accompanying financial statements include property taxes levied December 31, 2005. These taxes are due by February 15, 2006, and are added to the County tax rolls after February 28, 2006. The Township will receive 100% payment for the delinquent tax by June, 2006.

The taxable value of the Township totaled \$74,313,379, on which ad valorem taxes consisted of 1.4467 mills for the Township's operating purposes, 1.9291 mills for roads and .4872 for recreation, raising \$108,096 for operating purposes, \$137,870 for roads and \$34,972 for recreation.

NOTE 4: CASH AND CASH EQUIVALENTS

The caption on the statement of net assets relating to cash and cash equivalents and investments represent deposits in varying amounts as follows:

Cash and cash equivalents	\$948,614
Investments (certificates of deposit)	342,290
	\$1,290,904

At year-end the carrying amounts of cash and cash equivalents were classified as to risk as follows:

Carrying	Bank
Amount	Balance
\$527,284	\$526,677
763,200	763,824
\$1,290,904	\$1,290,501
	Amount \$527,284 763,200

All accounts are in the name of the Township and a specific fund. They are recorded in Township records at cost. Interest is recorded when deposits mature or is credited to the applicable account.

Statutory Authority

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

NOTES TO FINANCIAL STATEMENTS

NOTE 5: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivables and payables for the year ended March 31, 2006 are as follows:

	Interfund	Interfund
Fund	Receivable -	Payable
General	\$40,478	\$6,215
Road	24,510	-
Recreation	4,620	25,345
Water	4,893	-
Tax Collection		42,941
Total	\$74,501	\$74,501

There were no operating transfers for the year ended March 31, 2006.

NOTE 6: CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

Governmental	Balancc			Balance
Activities	April 1, 2005	Additions	Deletions	March 31, 2006
Not being depreciated:				
Land and land Improvements	\$81,938	\$ -	\$ -	\$81,938
Being Depreciated: Building and Improvements	99.018	-	-	99,018
Furniture and Equipment	19,416	4,822		24,238
Subtotal	200,372	4,822	-	205,194
Less accumulated depreciation	(57,599)	(4,749)	<u>-</u>	(62,348)
Total	\$142,773	\$73	<u> </u>	\$142,846

Depreciation was charged to the Township's governmental activities as follows:

General government		\$4,297
Recreation and culture.		452
		\$4,749
	(Continued)	

NOTES TO FINANCIAL STATEMENTS

CAPITAL ASSETS (CONTINUED) NOTE 6:

Capital asset activity of the business-type activities for the current year was as follows:

Business-type Activities	Balance April 1, 2005	Additions	Deletions	Balance March 31, 2006
Being depreeiated:				_
Water System	\$1,866,725	\$ -	\$	- \$1,866,725
Sewer system	38,160	-		- 38,160
Construction in progress	9,705	<u> </u>		<u>-</u> 9,705
Subtotal	1,914,590	-		- 1,914,590
Less accumulated depreciation	(105,189)	(38,108)		(143,297)
Total	\$1,809,401	(\$38,108)	\$	\$1,771,293

Depreciation was charged to the Township's business-type activities as follows:

Water	\$37,345
Sewer	763
	\$38,108

NOTE 7: LONG-TERM DEBT

A summary of long term obligations at March 31, 2006, and transactions related thereto for the year then ended is as follows:

Business –type Activities	Balance April 1, 2005	(Reductions)	Balance March 31,2006	Due in one year
Mackinac County Water Supply System Limited Tax General Obligation Bonds: 1994 issue maturing serially in annual amounts of \$6,000 and bearing interest ranging from 4.8% to 7.0%.	\$30,000	\$(30,000)	\$ -	\$ -
Special Assessment Limited Tax Bonds; 2002 issue maturing serially to 2016 in annual amounts ranging from \$5,000 to \$30,000 and bearing interest at 4.1% to 4.3%.	325,000	(25,000)	300,000	30,000
Totals	\$355,000 (Continued)	\$(55,000)	\$300,000	\$30,000

NOTES TO FINANCIAL STATEMENTS

NOTE 7: LONG-TERM DEBT (CONTINUED)

Annual debt service requirements for the above business-type activity obligation is as follows:

Year Ended March 31,	
2007	\$42,065
2008	35,938
2009	39,810
2010	33,683
2011	37,525
2012 – 2016	150,425
2017	30,644
Total	\$370,090

Interest expense for the year ended March 31, 2004 was \$14,038.

NOTE 8: SPECIAL ASSESSMENTS

The Township has assessed property owners for a portion of a water project. Following is a summary of this activity for the fiscal year ended March 31, 2006:

Balance				Balance
	April 1, 2005	Additions	Deletions	March 31,2006
Enterprise Fund:				
U.S. 2 Watermain extension	\$241,750	<u>s</u> -	\$20,146	\$221,604

NOTE 9: CONSTRUCTION CODE

The Township collects fees for permits and conducts inspections in accordance with Act 245 of 1999 and accounts for the related activity in the General Fund. Revenues are shown as Licenses and Permits and the related expenditures are shown under General Fund building inspection expenditures. Following is this activity for the year ended March 31, 2006, as reported in the accompanying financial statements:

Revenues:

Licenses & permits	\$7,892
Expenditures:	
Salaries & fringe benefits	5,114
Other	1,190
Total Expenditures	6,304
Revenue Over Expenditures	\$1,588

NOTES TO FINANCIAL STATEMENTS

NOTE 10: PENSION PLAN

The Township provides pension benefits through a defined contribution plan covering to all board members which is administered by Municipal Retirement Systems, Inc. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Township contributes 6% of employees' gross earnings; employees also contributes 6% of employee's gross earnings. In accordance with these requirements, the Township and the employees each contributed \$3,097 for the year ended March 31, 2006, fees and other charges were \$180.

NOTE 11: RISK MANAGEMENT

Moran Township participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township. The Township pays an annual premium to the Michigan Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan.

The plan has a maximum liability for property of \$590,500, general liability of \$3,000,000, wrongful acts of \$2,000,000, crime of \$10,000, automobile of \$1,000,000, inland marine liability of \$157,000 and bonding for public officials errors and omissions. Additionally, the Township has purchased commercial insurance for workman's compensation benefits.

Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 12: COMMITMENTS

Construction: The Township is committed under contracts for road improvements in the approximate amount of \$144,000.

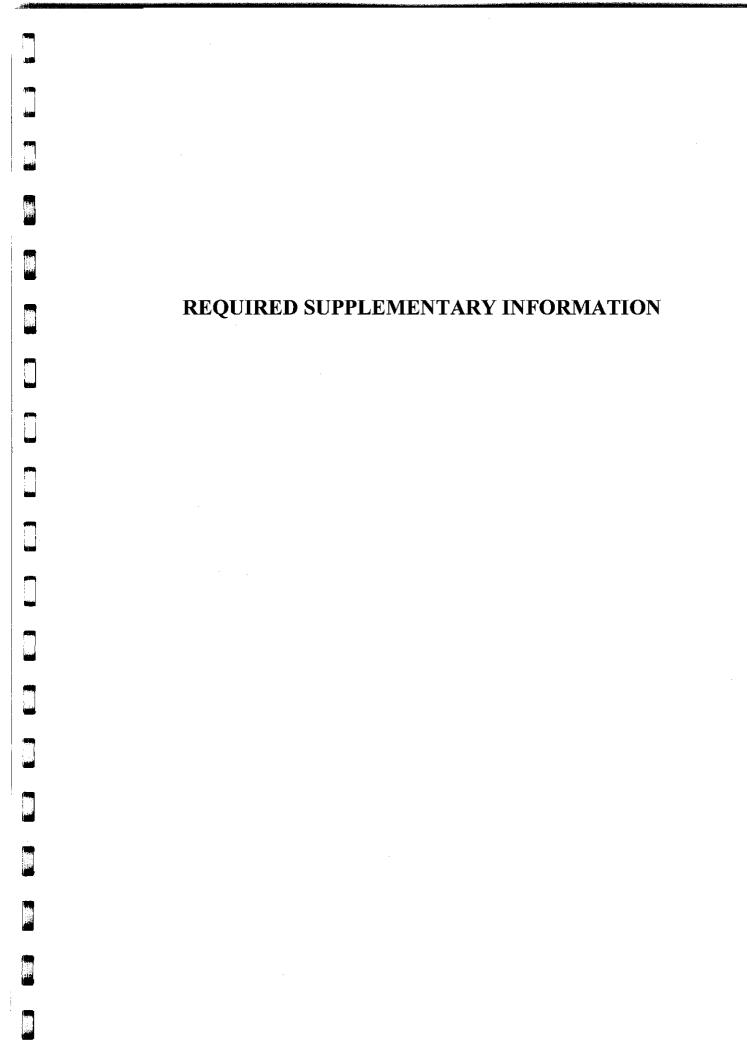
Ambulance Service: The Township has joined with other area townships and the City of St. Ignace to create the "St. Ignace Community Area Ambulance Service." This organization has, in turn, contracted with Allied EMS Systems, Inc., to operate ambulance services in the community.

Payments under this contract are required annually at a stipulated rate per person residing in each political unit comprising the contracting group. Each political unit is required to pay its pro-rated share of operating loss, if any, on a quarterly basis. Payments under this contract were approximately \$14,488 for the year ended March 31, 2006.

NOTES TO FINANCIAL STATEMENTS

NOTE 13: CONTINGENCIES

A gas pipeline company appealed, to the Michigan Tax Tribunal, the method used to calculate the taxable base of the personal property assessed within the Township for the 2002 through 2004. The Company has paid the noted years tax and this amount is included in the financial statements as revenue. Because the outcome of this case is unknown, no provision has been made in the financial statements for any possible judgement against the Township.



MORAN TOWNSHIP BUDGETARY COMPARISON SCHEDULE GENERAL FUND FOR THE YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				3 /
Taxes:				
Property tax	\$103,929	\$103,929	\$108,096	\$4,167
Property taxes - administrative fee	21,000	21,000	21,603	603
Penalties and interest		-	5,353	5,353
Total taxes	124,929	124,929	135,052	10,123
Licenses and permits:	•			
Building permits	5,500	5,500	7,892	2,392
State shared revenues:				•
State shared revenues	76,569	76,569	73,844	(2,725)
Swampland and payment in lieu of tax	33,827	33,827	33,068	
Total state shared revenues	110,396	110,396	106,912	(3,484)
Charges for services:				
Cemetery lots, vaults, rents and other	1,800	1,800	1,886	86
1nterest	1,000	1,000	4,602	3,602
Other revenue:				
Other		-	2,898	2,898
TOTAL REVENUES	243,625	243,625	259,242	15,617

MORAN TOWNSHIP BUDGETARY COMPARISON SCHEDULE GENERAL FUND FOR THE YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
LEGISLATIVE				
Township board	\$19,050	\$53,450	\$51,304	\$2,146
GENERAL GOVERNMENT				
Supervisor	23,911	23,911	21,115	2,796
Assessor	29,235	46,235	38,070	8,165
Elections	5,250	5,250	908	4,342
Professional services	9,000	11,000	10,870	
Board of Review	2,422	2,422	349	2,073
Clerk	20,340	20,340	18,188	2,152
Treasurer	25,125	25,125	21,097	4,028
Township property	6,900	7,900	6,900	1,000
Cemetcry	6,825	6,825	5,004	1,821
TOTAL GENERAL GOVERNMENT	129,008	149,008	122,501	26,377
PUBLIC SAFETY				
Fire protection	41,000	41,000	40,941	59
Ambulance service	20,000	20,000	14,488	5,512
Zoning	14,250	14,250	12,186	2,064
Building inspection	7,870	7,870	6,304	1,566
Planning commission	9,580	10,580	8,460	2,120
TOTAL PUBLIC SAFETY	92,700	93,700	82,379	11,321
PÚBLÍC WORKS				
Street lighting	6,500	6,500	4,982	1,518
Sanitation	3,000	3,361	3,361	
TOTAL PUBLIC WORKS	9,500	9,861	8,343	12,839
OTHER FUNCTIONS 1nsurance and bonds	9,000	9,000	8,856	144
insulance and bonds		7,000	6,650	
TOTAL OTHER FUNCTIONS	9,000	9,000	8,856	144
CAPITAL OUTLAY	<u>-</u>	7,000	4,822	2,178
TOTAL EXPENDITURES	259,258	322,019	278,205	ERR
NET CHANGE IN FUND BALANCE	(15,633)	(78,394)	(18,963)	ERR
FUND BALANCE - BEGINNING OF YEAR	295,540	295,540	295,540	
FUND BALANCE - END OF YEAR	\$279,907	\$217,146	\$276,577	ERR
			_	

MORAN TOWNSHIP BUDGETARY COMPARISON SCHEDULE -SPECIAL REVENUE - ROAD FUND FOR THE YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Property tax	\$138,584	\$138,584	\$137,870	(\$714)
State shared revenues - METRO Act	_	-	5,487	5,487
State land tax and payment in lieu of taxes	-	-	13,372	13,372
Interest income	11,000	11,000	16,973	5,973
TOTAL REVENUES	149,584	149,584	173,702	24,118
EXPENDITURES:				
Current:				
Public works	256,000	256,000	243,833	12,167
TOTAL EXPENDITURES	256,000	256,000	243,833	12,167
NET CHANGE IN FUND BALANCE	(106,416)	(106,416)	(70,131)	36,285
FUND BALANCE, BEGINNING OF YEAR	738,035	738,035	738,035	<u>-</u>
FUND BALANCE, END OF YEAR	\$631,619	\$631,619	<u>\$667,90</u> 4	\$36,285

MORAN TOWNSHIP BUDGETARY COMPARISON SCHEDULE SPECIAL REVENUE - RECREATION FUND FOR THE YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Property tax	\$35,000	\$35,000	\$34,972	(\$28)
Interest income	-	-	6	6
Donations	-	-	4,900	4,900
Other	<u>-</u>	-	131	131
TOTAL REVENUES	35,000	35,000	40,009	5,009
EXPENDITURES:				
Current:				
Recreation and culture	28,000	28,000	29,847	(1,847)
TOTAL EXPENDITURES	28,000	28,000	29,847	(1,847)
NET CHANGE IN FUND BALANCE	7,000	7,000	10,162	3,162
FUND BALANCE, BEGINNING OF YEAR	59,564	59,564	59,564	_
FUND BALANCE, END OF YEAR	\$66,564	\$66,564	\$69,726	\$3,162



Member:

American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

August 21, 2006

Township Board Moran Township Mackinac County, Michigan

In planning and performing my audit of the financial statements of *Moran Township*, *Mackinac County*, *Michigan*, for the year ended March 31, 2006, I considered the Township's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and recommendations regarding those matters. This letter does not affect my report dated August 21, 2006 on the financial statements of *Moran Township*.

Thank you for the opportunity to serve *Moran Township*. I appreciate the assistance I received from both the Clerk and Treasurer during my audit. Best wishes in the next year.

Mallout DA

Sincerely,

Richard E. Mahlmeister, C.P.A.

Moran Township Comments & Recommendations August 21, 2006 Page 2 (two)

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2006, the Township incurred expenditures in certain budgetary funds which exceeded the amount appropriated, as shown in the body of the financial statements.

I suggest that the Township Board on a periodic basis, review appropriations as compared to actual expenditures and amend the budget as necessary to avoid incurring expenditures in excess of appropriations.

CAPITAL ASSETS

I recommend that the Board review the policy as to which assets should be recorded as a capital asset. The *Government Officer's Finance Association* (GFOA) recommends that assets that have a useful life of at least one-year and a cost of \$5,000 be included as a capital asset. I further would recommend that the Board make this threshold, at least, in the range \$1,000 to \$2,000. Adopting a capitalization policy with these minimums would exclude assets of minimal value and would make the record keeping less cumbersome and would create more useful capital asset information.